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SUBJECT: EAP/ANP DIRECTOR KRAWITZ'S FEBRUARY MEETINGS IN  
NEW ZEALAND

Classified By: POL/ECON COUNSELOR KATHERINE B. HADDA  
FOR REASONS 1.4 B AND D

11. (C) Summary: Discussions during ANP Director Krawitz's February 8-11 visit to New Zealand addressed PRC activities in the Pacific, Pacific Island issues, regional stability, counter-terrorism, Antarctica, U.S.-New Zealand relations, bilateral military ties, and launch of a new U.S.-New Zealand Partnership Forum. Bilateral differences over New Zealand's nuclear law, while discussed, did not dominate the visit. Suggestions on how to improve bilateral cooperation led to general agreement that more Washington visits by New Zealanders from all walks of life would do much to strengthen ties and improve relations.

12. (U) Key meetings were with Ministry of Foreign Affairs and Trade (MFAT) Deputy Secretary John McKinnon, Counter-terrorism/Security Policy Ambassador Dell Higgie, and Defence Ministry (MoD) Deputy Secretary Chris Seed. Other meetings included MFAT's directors for the Pacific Islands and Antarctic programs, Parliament Foreign Affairs Select Committee Chair Dianne Yates and Parliament Member Jill Pettis, National Party Foreign Affairs Spokesman Murray McCully, American Chamber of Commerce CEO Mike Hearn, Wellington Chamber of Commerce CEO Charles Finny, academics and journalists. End Summary

Bilateral Issues

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13. (C) Both sides agreed that despite differences, we can and should maximize cooperation in areas of common interest. Encouraging good governance in the Pacific Island States and expanding U.S. work-study programs for New Zealand students were examples. The New Zealanders accepted our point that, unlike the many Australian officials, politicians, business people, academics, even students who visit Washington and the State Department every year, relatively few Kiwis come to town or show interest. Most people with whom we spoke agree New Zealand would benefit from sending more visitors to Washington. They are also optimistic that the new U.S.-New Zealand Partnership Forum, planned for April, will be productive, and share the view that a broad cross-section of New Zealanders must participate for the forum to succeed. Phil Goff will lead the New Zealand delegation, in his role as Trade Minister (he is also defense minister). National

Party leader Don Brash will also attend as part of a New Zealand Government-sponsored trip to the United States.

¶4. (C) MFAT's McKinnon called his recent Washington visit a success, expressed hope A/S Hill would visit New Zealand in March, and said Foreign Minister Peters may visit the United States soon. (Peters' office later said early July might be doable.) McKinnon said he is committed to making the U.S.-New Zealand relationship work, despite continued differences over the nuclear issue. Turning to trade, he said New Zealand officials know chances for getting an FTA with the United States in the near term are slim, but new Ambassador Roy Ferguson will continue to make the pitch, if a bit more quietly. McKinnon wants to see a U.S.-New Zealand Trade and Investment Framework Agreement meeting before much more time passes. Switching gears, he advocated for good contact and communication on peacekeeping, counterterrorism, defense, and Asian development issues. McKinnon expressed surprise, given our interest in East Asian Architecture issues, that U.S. officials had not attended the Singapore Global Forum conference on Asia and the Future. McKinnon stressed that there must be a U.S. voice in this, saying some countries wonder whether Washington has lost interest in the region. We assured him this is not the case.

China

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¶5. (C) MoD officials expressed concern that China-Taiwan resource and diplomatic competition contributes to political instability in Pacific Island nations. International Policy Division Director Paul Sinclair described Peoples Liberation Army (PLA) aid to defense forces in the region, especially to Tonga and Fiji, adding that the PLA outspends New Zealand by

wide margins in PNG. (Reportedly, PNG may transfer its Wellington Defense Attache position to Beijing.) Equally troublesome are reported PLA links to paramilitary forces in Vanuatu. Mod's Seed said PLA activities in the Pacific Islands pose real security problems for New Zealand. He added that New Zealand Forces have no direct dialogue with the PLA on this issue, because the PRC tightly controls military visits to New Zealand. These have declined from five or six to three visits a year.

¶6. (C) MFAT Americas and Pacific Island Director Riddell focused on how China's rapacious quest for natural resources undermines good governance, sustainable development, and environmental protection in Pacific Island states like PNG, Fiji, and the Solomon Islands. For island states like Kiribati, politics and excessive fishing are the issues. Riddell said China pushes to restrict Taiwan's participation in the new Regional Fisheries Management Organization.

¶7. (C) McKinnon reviewed East Asian Summit (EAS) issues and how New Zealand's, Australia's and India's presence counters Chinese efforts to control the EAS. He promised to keep us advised about how things go in the EAS.

Counter-terrorism

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¶8. (C) Counter-terrorism Ambassador Higgie said New Zealand is committed to the Proliferation Security Initiative (PSI) but frustrated by confusing signals from Washington. U.S. officials urge New Zealand to take part, even as U.S. policy requires waivers for U.S. forces when New Zealand forces are present. New Zealand would host a PSI exercise or planning meeting but fears embarrassment should the U.S. military decline to take part. We explained U.S. policy, including provisions for case-by-case waivers, adding that Washington agencies may later review waiver rules for PSI activities. We also made the point that overstating the significance of waivers or high-level military visits when such occur does not help New Zealand's case. Higgie then praised U.S.-New Zealand cooperation on the Container Security Initiative and on counter-terrorism capacity building in the Pacific. She said New Zealand screens Polynesian exports to the U.S. that

transit Auckland (much does) and talked of possibly setting up in American Samoa a regional training center for Pacific Island customs officials. She stressed U.S. involvement is important. The President's appearance at the 2003 meeting of Pacific Island Leaders secured counter-terrorism buy-in in the region. So will the USD 1.5 million Washington gave the Pacific Island Forum to set up an anti-money laundering training center in Suva. If successful, this could be a pilot for similar U.S. assistance for customs training.

#### Pacific Islands

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¶9. (C) MFAT officers called A/S Hill's planned March visit to New Zealand and his possible participation in a June event with Pacific Island States in Washington good ways to boost U.S.-New Zealand Pacific region cooperation. The June event could set the stage for the Pacific Island Leaders Conference, on hold until 2007. Promoting democratization in Tonga and rule of law in Fiji surfaced as other areas for cooperation. Pacific Affairs Director Riddell noted that Foreign Minister Winston Peters (winding up a successful visit to Fiji at the time) has a special interest in the region and close ties to many Pacific island leaders.

¶10. (C) Assessing other regional trouble spots, Riddell said the Regional Assistance Mission to the Solomon Islands (RAMSI) will have to remain for some time, although it is evolving from a law enforcement/pacification process to a capacity building/nation building process. Still, given all left to do, it is unclear when there will have been enough progress to begin holding senior officials accountable for their actions. Upcoming elections will be the first held in peaceful circumstances in some time. Riddell called PNG "deeply dysfunctional." She thinks Australia's institution-building initiative is failing. Ironically, the fact that PNG institutions are limping along rather than

collapsing makes things more difficult -- it's harder to repair than rebuild. AIDS is also approaching crisis proportions in PNG. One bright spot, Bougainville, which is finally coming out of its decades-long conflict, is promising if fragile. Recent elections went well, but financial fraud is on the rise.

#### Antarctica

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¶11. (C) January 2007 kicks off Antarctic events related to the International Polar Year. The upgrade of New Zealand's C-130 fleet has decreased logistical support for the U.S. Antarctic program temporarily. Support will return to 12 flights a season in a few years. In late 2007, New Zealand will test a 757 refitted to carry passengers to the ice. This could free up cargo space in USAF C-17s. New Zealand test flew a P-3 Orion to the ice, opening up possibilities for the plane's use as a back-up for medical evacuation flights. Other plans for the P-3 include exploring how it might be used to assist scientific research. But MFAT's very enthusiastic Antarctic Director voiced some worries during the meeting. He said the lack of clear arrangements for addressing the effects of land-based tourism -- such as hotels on an Antarctic Treaty signatory's base -- will create problems if not addressed soon. More commercial fishing by non-treaty members, Chinese- and Togo-flagged vessels, for example, is also a concern. New Zealand, which is encouraging China to sign the Antarctic treaty, clearly considers it important to voice displeasure to flag-issuing states if "their" vessels are caught fishing illegally.

#### The Nuclear Issue

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¶12. (C) The long-time U.S.-New Zealand dispute over nuclear law, the focus of a roundtable with local journalists, did not dominate. When the topic came up, the U.S. message was that we do not seek to dictate policy but will not redefine our definitions of "ally" and "friend" to suit New Zealand's

domestic politics. Still, the question of nuclear power as an element of New Zealand's economic future led to some interesting exchanges. At an MFAT-sponsored lunch, academic Nigel Roberts said Kiwis are unlikely to come around to an acceptance of nuclear energy even though New Zealand will face energy shortages in the coming years. Kiwis will have to adapt to wind power and coal, energy generation methods that run counter to New Zealand's green image. John McKinnon believes young New Zealanders are even less likely than their parents to favor nuclear power. The most direct exchange about nuclear issues came during a meeting with the National Party's Murray McCully, who traveled from Auckland for a lunch meeting. McCully said his own party's recent decision to reverse position and support retaining the ban does not mean less interest in strong relations with the United States. National's thinking is that by removing this contentious issue from discussion, National would be better able to press the Government more forcefully to strengthen bilateral ties. As McCully put it, New Zealanders will oppose any effort to eliminate the anti-nuclear legislation, and National would only be "shooting itself in the foot" to push for change without public support.

#### Military Upgrades/Public Attitudes to Defense

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¶13. (C) MoD officials gave details on defense upgrades that will fully motorize the army and improve naval command and control capabilities. New Zealanders see their country as being far from trouble spots. They continue to regard their military as an expeditionary force. MoD expects to continue this tradition of global deployments but anticipates having to do more in the Pacific, as transnational crime, China, and other regional threats increase. A telling statistic: New Zealand forces have deployed in the South Pacific on missions unrelated to disaster relief at least six times since 1990, compared to no military deployments in the previous 30 years.

MoD expects this trend to continue, if not worsen.

Recognizing the importance of law enforcement and related

missions in the region, New Zealand has backed away from the view that its military should only focus on its core mission.

¶14. (C) Academic Nigel Roberts said New Zealanders believe RAMSI plays a positive role in regional peacekeeping. They support New Zealand's participation because RAMSI is well run, and there have been no New Zealand casualties. MFAT Australia Director Bede Corry agreed: New Zealanders also supported actions in Bougainville, a larger operation, for the same reasons. New Zealand will be able to sustain its participation in RAMSI for some time because it involves a mix of civilian and military assistance. Academic Jock Phillips added that Kiwis like to be seen as contributing to global military efforts, especially in peacekeeping roles, because, at times, this makes them feel morally superior.

McCormick